H00
Department of General Services

Operating Budget Data

($ in Thousands)

	FY 12 Actual	FY 13 Working	FY 14 Allowance	FY 13-14 Change	% Change Prior Year
General Fund	$55,124	$54,209	$61,456	$7,247	13.4%
Contingent & Back of Bill Reductions	0	0	-50	-50	
Adjusted General Fund	**$55,124**	**$54,209**	**$61,406**	**$7,197**	**13.3%**
Special Fund	2,706	3,767	3,419	-348	-9.2%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted Special Fund	**$2,706**	**$3,767**	**$3,418**	**-$349**	**-9.3%**
Federal Fund	1,052	1,116	1,159	43	3.9%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted Federal Fund	**$1,052**	**$1,116**	**$1,158**	**$42**	**3.8%**
Reimbursable Fund	28,931	29,697	28,641	-1,056	-3.6%
Adjusted Reimbursable Fund	**$28,931**	**$29,697**	**$28,641**	**-$1,056**	**-3.6%**
Adjusted Grand Total	**$87,812**	**$88,789**	**$94,623**	**$5,834**	**6.6%**

- The allowance is 6.6%, or $5.8 million, above the working appropriation. A $4.0 million increase in the Statewide Critical Maintenance Program and a $1.8 million increase in personnel expenses are the largest drivers of this change.

For further information contact: Kyle A. McKay Phone: (410) 946-5530

Personnel Data

	FY 12 Actual	FY 13 Working	FY 14 Allowance	FY 13-14 Change
Regular Positions	574.00	576.00	580.00	4.00
Contractual FTEs	16.89	29.52	32.53	3.01
Total Personnel	**590.89**	**605.52**	**612.53**	**7.01**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	33.98	5.90%
Positions and Percentage Vacant as of 12/31/12	41.50	7.20%

- The allowance includes 4.0 new regular positions following the acquisition of the St. Mary's Center and 3.0 contractual full-time equivalents, 1.0 for procurement and contracting and 2.0 for construction in the facilities planning, design, and construction program.

- The department's fiscal 2014 budgeted turnover rate on existing positions is 5.9%, the same as the prior fiscal year, which requires 34.0 positions to remain vacant throughout the year. As of December 31, 2012, 41.5 positions were vacant.

Analysis in Brief

Major Trends

Energy Consumption and Reduction: The Department of General Services (DGS) reports that energy expenditures declined in fiscal 2010 through 2012 by a total cumulative percentage of 8.67% and is expected to continue to decline annually through fiscal 2015, culminating in a cumulative percentage reduction of 15.0% by fiscal 2015.

New Procurement in DGS-supported Agencies: DGS's performance with respect to the processing of new procurements improved significantly between 2011 and 2012, with the percentage of new procurements completed on time and on target, increasing from 51 to 62%. However, this is at least the fifth straight year that DGS has missed its performance goal, primarily due to understaffing.

Minority Business Enterprise Participation Declines: Between fiscal 2011 and 2012, Minority Business Enterprise (MBE) participation in DGS contracts declined significantly, dropping from 34% in 2011 to 16% in 2012. The department attributes this decline to a reduction in the types of contracts awarded that are targeted for MBE participation.

Issues

Future Options for State Center P3 Redevelopment: Efforts to start Phase I of the State Center public-private partnership (P3) redevelopment have been stymied due to litigation filed by a group of downtown Baltimore City businesses. A ruling handed down by the Baltimore City Circuit Court in January 2013 voided the development contract citing the State's failure to competitively bid the development. Recently, the State Court of Appeals agreed to review the Baltimore Circuit Court. At some point, whether in the present form of the negotiated but stalled P3 redevelopment, or under some other redevelopment proposal, the State will need to consider its options as it relates to the State's continued occupancy of the building and facilities located at State Center. **DGS should discuss the viability of options outside of the current public-private partnership for the State Center complex.**

Antiquated Information Technology Impairs Agency Operations: Despite a severe and ongoing need, DGS has yet to receive sufficient funding to even establish a set of redundant servers to protect against potential data losses that could catastrophically impair agency operations. Beyond establishing basic protections and functionality, DGS requires significant investments in order to update applications that are over 25 years old and impair the ability of staff to perform routine job duties on a daily basis. Based on the department's 2010 Information Technology (IT) Master Plan, outstanding funding needs in fiscal 2014 exceed $19 million. **The Department of Legislative Services (DLS) recommends restricting the Facilities Critical Maintenance Fund by $1 million and allocating these funds to IT projects of critical nature.**

Facility Maintenance Funding Increase: DGS reports a growing critical maintenance backlog that is expected to exceed $41.1 million by the conclusion of fiscal 2013. The fiscal 2014 allowance of $5.0 million for the Statewide Critical Maintenance Fund represents the largest appropriation that DGS estimates it can feasibly handle given current staffing. Subsequent to years of appropriations at less than $3.0 million, including an appropriation of $1.0 million in fiscal 2013, such a rapid expansion in the scope of the program may present some implementation challenges. **Due to critical needs in DGS' IT infrastructure and the limited capacity of the agency to rapidly engage in a significantly expanded critical maintenance program, DLS recommends restricting the Facilities Critical Maintenance appropriation by $1.0 million and transferring the funds to critical IT projects.**

Recommended Actions

1. Add budget bill language to restrict $1,000,000 from the Statewide Critical Maintenance Program to critical Department of General Services' automation.

Operating Budget Analysis

Program Description

The Department of General Services (DGS) serves Maryland and its citizens by supporting other State agencies in achieving their missions. The department performs a variety of functions, including planning, design, and construction management; facilities maintenance; procurement of goods and services; receipt and distribution of excess property; the provision of real estate services; and operation of the Maryland Capitol Police. DGS uses the following goals to guide its Managing for Results (MFR) reporting:

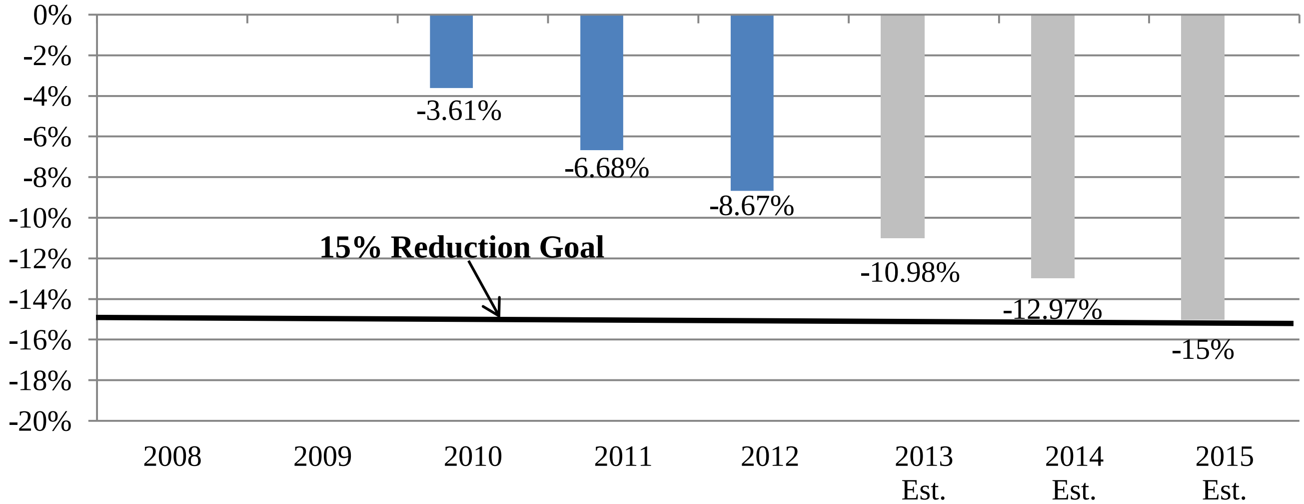
- operate efficiently and effectively;
- manage departmental projects efficiently;
- provide timely and accurate management information;
- achieve responsible asset management;
- provide best value for customer agencies and taxpayers; and
- carry out social, economic, and other responsibilities as a State agency.

Performance Analysis: Managing for Results

1. Energy Consumption and Reduction

The Maryland Office of Energy Performance and Conservation within DGS is responsible for implementing part of the EmPower Maryland initiative. This initiative, established by Chapter 131 of 2008, among other provisions, sets forth a goal to reduce State energy consumption by 15.0% by fiscal 2015. **Exhibit 1** illustrates the cumulative percentage reduction against the 2008 consumption baseline. The reported MFR measures point toward general success in meeting the energy consumption reduction objectives. DGS reports that energy expenditures declined in fiscal 2010 through 2012 and is expected to continue to decline annually through fiscal 2015. This translates to a cumulative 8.67% reduction from the fiscal 2008 baseline through the fiscal 2012 actual, with a projected cumulative percentage reduction of 15.0% by fiscal 2015.

Exhibit 1
Energy Reduction from Fiscal 2008 Base Year
Goal Is 15% Reduction by Fiscal 2015
Fiscal 2008-2015



Source: Department of General Services

Actual performance could be negatively impacted by State infrastructure growth and positively or negatively impacted by future weather and changes to State operations. A severe winter or summer, for example, would drastically impact the energy consumption for State facilities the year in which it occurs. In order to adjust for consumption by weather, DGS anticipates producing energy consumption data that includes normalization to the weather.

The data in Exhibit 1 are produced from the DGS State Energy Database. The database tracks State energy consumption and differs from the Department of Budget and Management's (DBM) utility expenditure data, as it does not include account set-up, cancellation, or late fees and, therefore, tracks closer to actual consumption. In order to determine the completeness of the DGS database, DGS compares its consumption data to expenditure data from DBM. The department considers a variance of 10% or less to be an indicator of data accuracy and completeness for its State Energy Database. Currently, the DGS database is within 15% of the DBM expenditure data. Based on this information, DGS estimates that the State Energy Database is 95% complete. However, the completeness of the data varies substantially between State agencies, due to the labor intensity required to verify and clean individual accounts within the State Energy Database.

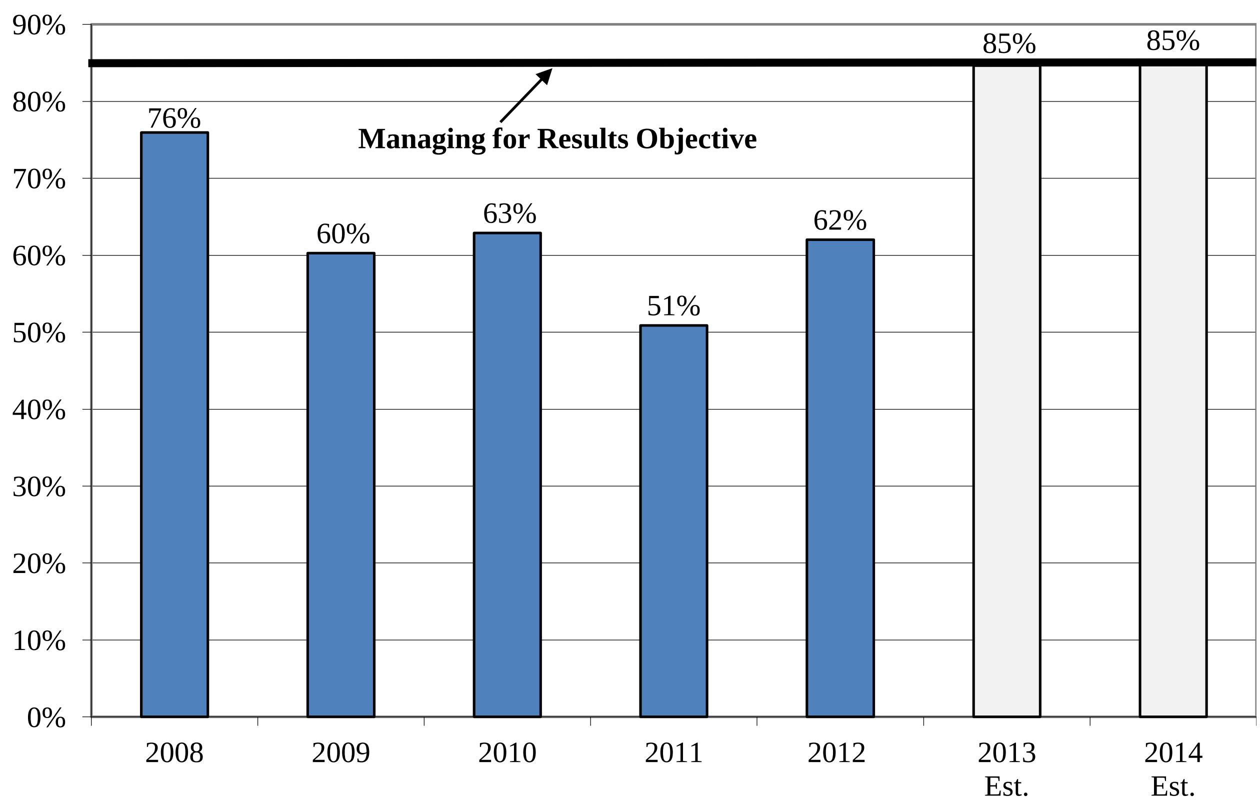
Due to the resources needed to verify and clean accounts and subaccounts, DGS is accepting the 2008 and 2009 data as complete, to be used as baseline data for comparison with current and future years. However, to the extent that subaccounts are added or removed as ongoing collection and verification finds errors or omissions, the accuracy of the 2008 and 2009 data may improve to some degree.

The State Energy Database has allowed DGS to target the 16 accounts that represent over 80% of State energy consumption for energy efficiency and consumption reductions, thereby increasing the efficiency of the State's efforts at realizing energy consumption reductions.

2. New Procurement in DGS-supported Agencies

As shown in **Exhibit 2**, DGS' performance with respect to the processing of new procurements improved significantly between fiscal 2011 and 2012, with the percentage of new procurements completed on time and on target, increasing from 51 to 62%. However, this is at least the fifth straight year that DGS has missed its performance goal, primarily due to understaffing.

Exhibit 2
New Procurements
Completed on Time, on Budget, and on Target



Source: Department of General Services

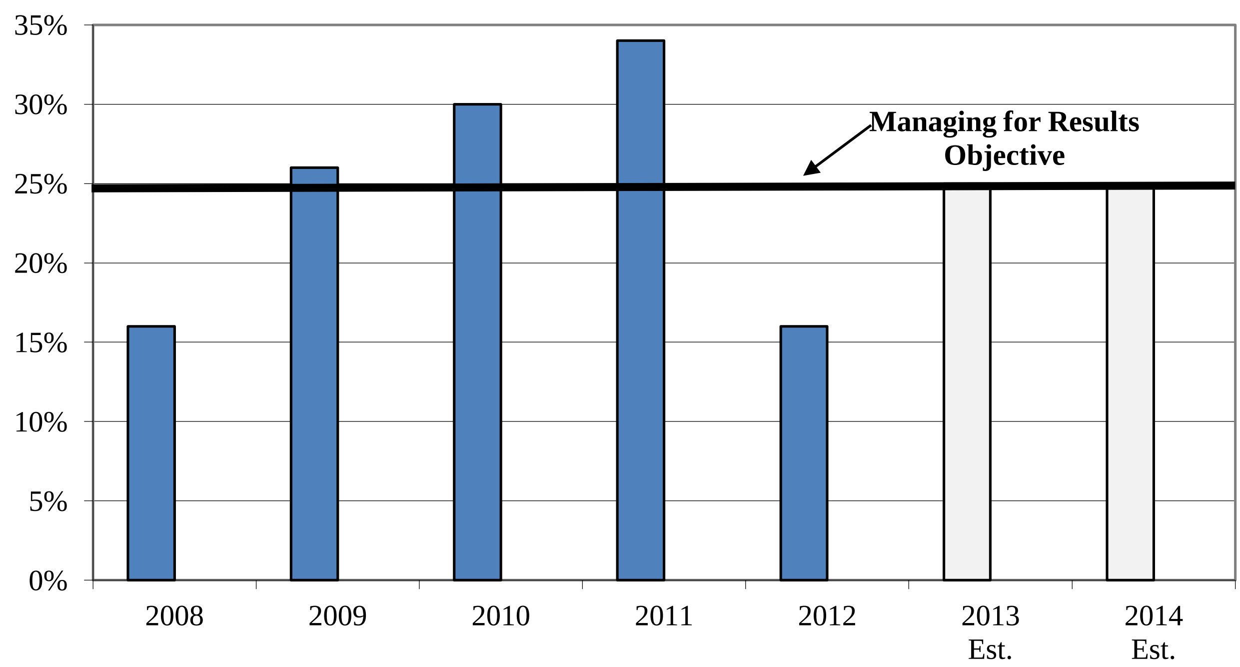
The department has experienced ongoing vacancies for procurement officers, including 5 in the prior fiscal year, that have reduced the ability of the department to complete new procurements on time. The 85% target, therefore, may represent a target only at full staffing capacity.

The percentage of small procurements completed within 10 days did, however, improve significantly, rising from 50% in fiscal 2011 to 87% in fiscal 2012. Subsequent to a realignment of the agency goal, which was adjusted to reflect a timeline consistent with regulatory approvals, the department also completed 87% of large procurements within 90 days, relative to its goal of 90%.

3. Minority Business Enterprise Participation Declines

Exhibit 3 shows the department's MFR performance data regarding its objective to annually meet or exceed a 25% Minority Business Enterprise (MBE) participation for the department's total procurement dollars. Between fiscal 2011 and 2012, MBE participation in DGS contracts declined significantly, dropping from 34% in 2011 to 16% in 2012. The department attributes this decline to a reduction in the types of contracts awarded that are targeted for MBE participation, especially construction, commodities, and architecture and engineering.

Exhibit 3
MBE Participation in Total Procurement Dollars



Source: Department of General Services

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2014 all-funds allowance is $5.8 million, or 6.6%, more than the fiscal 2013 working appropriation. The largest component of this increase comes from a $4.0 million increase in the Statewide Critical Maintenance Program, which is discussed in Issue 3. Personnel expenses compose approximately $1.8 million of the $5.8 million change.

Exhibit 4
Proposed Budget
Department of General Services
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2013 Working Appropriation	$54,209	$3,767	$1,116	$29,697	$88,789
2014 Allowance	61,456	3,419	1,159	28,641	94,675
Amount Change	$7,247	-$348	$43	-$1,056	$5,886
Percent Change	13.4%	-9.2%	3.9%	-3.6%	6.6%
Contingent Reduction	-$50	-$1	-$1	$0	-$52
Adjusted Change	$7,197	-$349	$42	-$1,056	$5,834
Adjusted Percent Change	13.3%	-9.3%	3.8%	-3.6%	6.6%

Where It Goes:	
Personnel Expenses	
New positions	$182
Employee retirement	841
Annualization of fiscal 2013 cost-of-living adjustments	331
Increments and other compensation	16
Employee and retiree health insurance, net of across-the-board reductions	239
Turnover adjustments	-67
Other fringe benefit adjustments	14
Reclassification	27
Workers' compensation	168
Contractual Services	
New janitorial contracts for State buildings	326
Scheduled decline in expenditures on contract for private lease management	-170
Property management services at the Nancy Grasmick State Education Building	269
Other contractual services real estate management	38

Where It Goes:	
Legal services, real estate	57
Special payments payroll for construction	75
Contractual turnover	47
Fuel, Utilities, and Energy Purchasing	
Utilities savings from energy performance contracts	-1,288
Increased electricity usage at Rockville multi-service center	593
Restoration of funding for air conditioning related expenses at Saratoga	230
Contractual services to conduct reverse auctions for energy purchases	285
Fuel management equipment	105
Contractual services for energy counsel	100
Vendor monitoring and verification for energy performance contract equipment	83
Contractual services for utility bill management	74
Energy risk management consultant	-51
Motor vehicle fuel and maintenance, agencywide	25
Information Technology	
Network upgrades	107
Desktop and laptop replacement	77
New digital file server	68
Software licensing, maintenance, and programming	61
Website application and development for energy and environmental programs	12
Conversion of St. Mary's Center	
Reduction of St. Mary's Multi-Service Center lease management	-1,332
Addition of St. Mary's Multi-Service Center to facilities operation	935
One-time purchase of St. Mary's Center	-796
Other Changes	
Statewide Critical Maintenance Program	4,000
Agencywide telecommunication savings	-59
Replacement of three vehicles for procurement activities	70
Supplies and materials, agencywide	67
Other	75
Total	**$5,834**

Note: Numbers may not sum to total due to rounding.

Personnel

Within personnel, the largest component of the $1.8 million increase comes from an $841,146 increase in employee retirement costs for regular employees, teachers, State Police, and law enforcement officers in fiscal 2014. The statewide rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform.

New employees for the conversion of St. Mary's Multi-Service Center to a facility directly operated by DGS results in $182,314 in additional personnel expenses, though these personnel expenses are more than offset by a reduction in contractual services in fiscal 2014.

Other significant personnel changes include:

- The annualization of the cost-of-living adjustment (COLA) in fiscal 2013 results in a $330,506 increase in regular earnings and benefits.

- A $51,900 across-the-board reduction due to overbudgeted health care is shown as a contingent reduction. Inclusive of this reduction, employee and retiree health insurance increase by $238,706.

- Workers' compensation premiums increase $167,707.

Fuel, Utilities, and Energy Purchasing

Utilities expenditures, outside of the Rockville Multi-Service Center and the Saratoga facility, decline by $1.3 million in the fiscal 2014 allowance. This decrease was calculated based on historical expenditures plus a small increase for inflation. This decrease is due to savings generated from projects completed under DGS energy performance contracts. The majority of these savings come from energy performance contract projects completed in Annapolis and Baltimore, where expenditures decrease by approximately $480,000 in each group of facilities.

These savings are offset by a large increase in electricity beyond original estimates at the newly constructed Rockville Multi-Service Center, totaling $592,500 in fiscal 2014. In the fiscal 2013 budget, water cooling for the air conditioning system at the Saratoga facility was accidently excluded from the budget, resulting in a $229,722 increase in fiscal 2014 relative to the fiscal 2013 working appropriation in order to restore funding for this ongoing expense.

Contractual services for energy management also offset the utilities savings, with a $285,174 increase for a contract to administer the reverse auction process for energy purchases, a $74,221 increase for comprehensive utility bill management, a $83,330 increase for outside vendor monitoring and verification for DGS energy performance contract installed equipment, and a $100,000 increase for energy counsel. There is one reduction of $51,200 for the energy risk management technical consultant.

The allowance also includes funds for DGS to purchase fuel management equipment costing $105,000.

DGS should discuss the factors driving energy overages at the Rockville Multi-Service Center location.

Contractual Services

New contracts for janitorial services result in an increase of $326,118 in fiscal 2014. The costs of a comprehensive contract for the Nancy Grasmick State Education Building increases by $269,029 for property management (including janitorial services, security, trash removal, and pest control). These increases are partially offset elsewhere in the department by a scheduled decline in expenditures on a contract for private lease management, which was designed to be a frontloading contract. In fiscal 2014, expenditures on the contract decline by $170,000.

Information Technology

The fiscal 2014 allowance includes an additional $250,000 for information technology (IT) equipment purchases relating to a network upgrade, a new digital file server, and desktop and laptop replacement. The allowance also includes an additional $72,515 for software licensing, maintenance, and programming, as well as website application and development for energy and environmental programs. The department's IT infrastructure and ongoing needs for continued investment are discussed in Issue 2.

Conversion of St. Mary's Center

In fiscal 2013, DGS purchased the St. Mary's Multi-Service Center and converted the facility from a contractually operated facility to one directly operated by DGS. The one-time purchase in fiscal 2013 results in a $790,217 reduction in the fiscal 2014 allowance. Contractual services under lease management are reduced by $1.3 million, and contractual services for facility operation and maintenance are increased by $935,072, resulting in a reduction in total contractual services of $396,488 in fiscal 2014. Some of this savings is offset by the additional new personnel costs ($182,314) for the department to add maintenance and mechanical staff for the new building.

Issues

1. Future Options for State Center P3 Redevelopment

Efforts to start Phase I of the State Center public-private partnership (P3) redevelopment have been stymied due to litigation filed by a group of downtown Baltimore City businesses. One of the principal complaints contained in the lawsuit was that the State did not comply with competitive bidding requirements and procedures. A ruling handed down by the Baltimore City Circuit Court in January 2013 voided the development contract citing the State's failure to competitively bid the development. Recently, the State Court of Appeals agreed to review the Baltimore Circuit Court ruling, effectively skipping the intermediate appellate court appeal process. As it stands, the financing and any groundbreaking for Phase I remain in limbo pending the outcome of the Court of Appeals review.

Options – Future of State Center

At some point, whether in the present form of the negotiated but stalled P3 redevelopment or under some other redevelopment proposal, the State will need to consider its options as it relates to the State's continued occupancy of the building and facilities located at State Center.

- **Defer Major Reinvestment and Continue with a Band-aid Approach to Extending the Useful Life of the Facilities:** The State could continue to occupy State Center under the current State ownership structure and defer any decision regarding the long-term solution to the problem. This would require continued annual funding to address the center's facility maintenance needs. The State would need to perform some strategic facility renewal of the buildings in order to keep the buildings occupiable and extend the useful life of the facilities until such time that a more comprehensive renovation/infrastructure replacement plan could be considered, funded, and completed. The amount of investment would depend upon the urgency of repairs and an annual assessment of what it would take to keep certain buildings operational. The drawback is that the State would continue to occupy space that is considered less than adequate and functionally inefficient.

- **State Fund the Renovation/Replacement of State Center in a Phased Development Plan:** Another option is for the State to undertake its own infrastructure replacement plan for State Center. This would require a substantial capital investment from the State and a re-prioritization of the State's long-term capital infrastructure plans. The current five-year *Capital Improvement Program* (CIP) does not contemplate a State-funded renovation/replacement plan for State Center, so unless the State were to decide to increase the amount of new debt over and above the Capital Debt Affordability Committee recommended level to accommodate such a proposal, decisions would have to be made regarding how to fit such a large capital investment within the confines of the recommended annual new debt authorization limits. Inasmuch as the five-year CIP is essentially fully subscribed already, such decisions would have ramifications on other projects already in the CIP.

- **P3 – Transit-oriented Development:** The State could also consider pursuing the current stalled P3 redevelopment or initiate an entirely new redevelopment plan under a new P3 arrangement guided by any legislation passed in the 2013 session concerning the procurement, negotiations, and oversight of P3s. The major advantages to this option are that the project could be unhinged from the capital budgeting and funding process and delivered as either an operating or capital lease. Under a capital lease, the State would take title to the property when the bonds are paid off. However, lease payments in this circumstance would be considered in calculating the State's debt ratios. Under an operating lease, the State would lease facilities from a developer, and the developer in turn would obtain long-term financing. Because of the strength of the State as a tenant, interest rates for this debt would likely be competitive. However, while an operating lease structure may technically not be considered debt, rating agencies may nonetheless consider this in their calculations due to the essentiality of the facility, and that the lease would be a commitment nearly as strong as paying bonds.

- **Sell off the State Center Land and Facilities and Rent Office Space:** The State could choose to simply sell off State Center and move the agencies currently occupying the site into leased office space. The State could take advantage of commercial office space vacancies in Baltimore and also potentially negotiate favorable lease terms due to the large amount of space that the State would pursue. Leasing space impacts the operating budget, but these costs could be partially offset by whatever the State collects in the sale of State Center and in the avoidance of any continuing deferred facility renewal and maintenance required to keep the facilities operational. Moreover, in this option, the cost of renovating and replacing the buildings is avoided. The downside is this creates a vast empty large tract of land in Baltimore City pending any future development of the site.

DGS should discuss the viability of options outside of the current public-private partnership for the State Center Complex.

2. Antiquated Information Technology Impairs Agency Operations

The DGS IT infrastructure has been underfunded for at least a decade. A 2006 Transition Report produced by DGS found that its IT system "could 'fail,' leaving the department unable to perform mandatory functions," due to systems developed decades before that are no longer supported by manufacturers. It also found that multi-service centers were using dial-up Internet. These findings, and many more in the report, are largely the same today. Despite this severe and ongoing need, DGS has yet to receive sufficient funding to even establish a set of redundant servers to protect against potential data losses that could end up catastrophically impairing agency operations. Beyond establishing basic protections and functionality, DGS requires significant investments in order to update applications that are over 25 years old and impair the ability of staff to perform routine job duties on a daily basis.

The department has put together a series of IT investment plans to address these ongoing inefficiencies and operational risks, yet each year, the projects plans go unfunded. Based on the department's 2010 Information Technology Master Plan, outstanding funding needs in fiscal 2014 exceed $19 million, as shown in **Exhibit 5**.

Exhibit 5
DGS Critical Information Technology Project Needs
Fiscal 2014

Project Name	Project Description	Total Planned Cost
Business Application Development	Implement a five-year program to build a central data repository to serve as the central means of exchanging information, replacing multiple application translation with applications that are decades old.	$8,500,000
Equipment and Software Refresh Program	Replace old desktops and laptops, replace the Domain Name Services (DNS) Server and Proxy Server, as well as firewall and router, which are both old and single points of failure.	$785,000
Procurement Project	Install a procurement software system to allow the Department of General Services (DGS) to analyze routine DGS procurements and improve procurement processes.	$10,000,000
Upgrade Connectivity of Remote Sites	Replace dial-up access for multi-service centers and other remote locations with broadband access.	No estimate
Disaster Recovery Plan Planning and Design	Protect against disaster and establish a remote site and/or equipment to establish redundancy.	No estimate

Source: Department of General Services

The fiscal 2014 allowance only includes $250,000 for IT purchases. DGS anticipates using the funds to (1) replace firewalls, routers, and a network switch; (2) upgrade the file server to allow DGS to follow the State migration to Google email; and (3) replace 52 computers. Relative to the needs of the department, this will contribute only marginally toward restoring the functionality and durability of the IT system.

If adequate funding for the replacement of DGS major IT systems is not going to be provided in the department's annual budget appropriation or through the major technology projects administered by the Department of Information Technology, then other options should be considered. One such option could be to add an administrative overhead charge in the rent calculation used to charge State agencies for DGS lease management responsibilities. The fee established for the new eMM system, while charged to private companies using the system rather than State agencies, is an example of how DGS can fund IT upgrades through a user fee structure.

DLS recommends restricting the Facilities Critical Maintenance Fund by $1 million and allocating these funds to IT projects of critical nature.

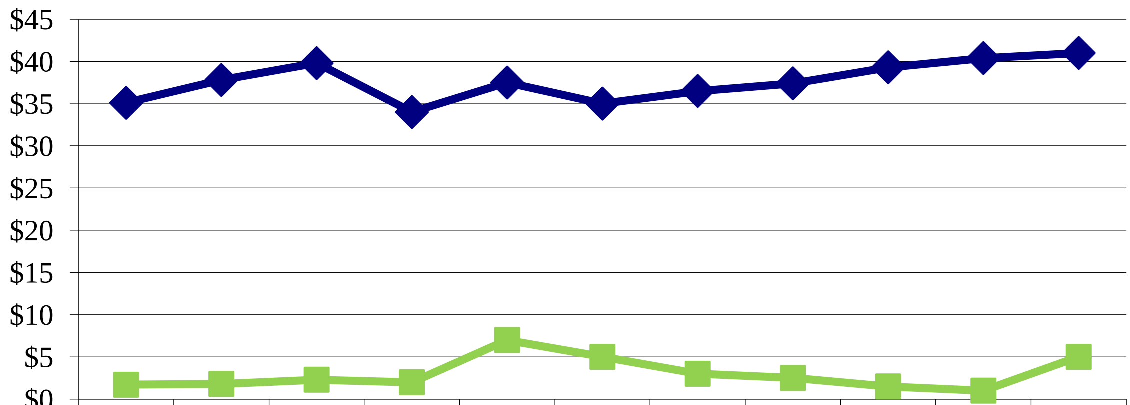
3. Facility Maintenance Funding Increase

Pursuant to Sections 4-407 and 4-408 of the State Finance and Procurement Article, the department is required to establish and supervise a comprehensive and continuing program of maintenance and repair of all public improvements. DGS' maintenance of State facilities efforts include both critical maintenance, funded through the operating budget, and facilities renewal, funded through the capital budget. In recent years, budget shortfalls have caused the State to scale back on facilities maintenance and renewal funding. The lack of adequate funding has been a concern of the budget committees for many years as deferring critical maintenance eventually leads to increasing project costs and further deterioration of the State's assets.

Facility Maintenance Funding

As shown in **Exhibit 6**, DGS reports a growing critical maintenance backlog that is expected to exceed $41.1 million by the conclusion of fiscal 2013. Following several years of underfunding, the backlog has grown, such that it will take multiple years of appropriations to make a sizable reduction in the backlog. However, because DGS does not have an assessment team to conduct maintenance assessments of facilities, these self-reported numbers likely understate the actual backlog.

Exhibit 6
Critical Maintenance Funding and Backlog
Fiscal 2003-2013
($ in Millions)



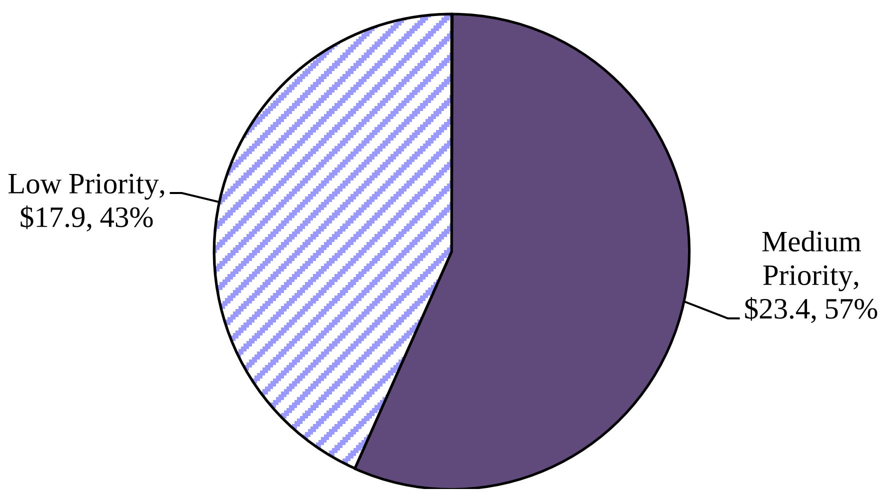
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 Est.
Backlog	$35.1	$37.8	$39.8	$34.0	$37.5	$35.0	$36.5	$37.4	$39.3	$40.4	$41.0
Appropriation	1.7	1.8	2.3	2.0	7.0	5.0	3.0	2.5	1.5	1.0	5.0

Source: Department of General Services

The fiscal 2014 allowance of $5 million for the Statewide Critical Maintenance Fund represents the largest appropriation that DGS estimates it can feasibly handle given current staffing. Subsequent to years of appropriations at less than $3 million, including an appropriation of $1 million in fiscal 2013, such a rapid expansion in the scope of the program may present some implementation challenges.

Exhibit 7 provides further detail regarding the critical maintenance backlog for each classification of the department's priority levels. As shown, approximately 57% of the critical maintenance backlog is classified as a medium-level priority. Although these projects are considered to have a short-term impact on agencies' mission capabilities, they are considered to have a high level of economic risk.

Exhibit 7
Critical Maintenance Priority Classification
($ in Millions)



Priority Level	High 3	4	Medium 5	6	7	Low 8	9	Total
Estimate	$0.0	$0.0	$2.4	$21.0	$13.0	$1.6	$3.3	$41.1
Percent of Total Projects	0.1%	0.0%	6.63%	50.2%	31.9%	4.0%	7.3%	100.0%
Number of Projects	1	0	67	507	322	40	74	1,011

Notes: Numbers may not add to total due to rounding.

Source: Department of General Services

Facility Maintenance and Repair Fund Explored in 2012 Session

In the 2012 legislative session, the budget committees added provisions in the Budget Reconciliation and Financing Act (BRFA) of 2012 to establish a Facility Maintenance and Repair Fund that would be funded via a statewide subobject charged back to each fund account of State agencies: "The costs shall be allocated to each agency for which DGS provides facility maintenance and facility renewal services through an annual square foot assessment charge for critical maintenance and renewal based in the current annual square footage rent calculation for each State-owned facility."

The funds would be used for the cost of ongoing critical maintenance and facility renewal, the personnel costs for a DGS facility renewal assessment team, and the cost of purchasing and maintaining a computerized lifecycle facility maintenance management system. The total charge back across agencies would not be less than $30 million per year. After the BRFA of 2012 failed at the end of the regular session, the language for the fund was removed prior to re-introduction by the Administration during the first special session.

As the structural deficit declines and State revenues increase, this strategy may be advantageous. It would provide the most stable source of revenue to DGS to ensure adequate maintenance of State-owned facilities. It would also help maximize special and federal revenues, as agencies could charge for facility maintenance as an allowable program expense.

Due to critical needs in DGS' IT infrastructure and the limited capacity of the agency to rapidly engage in a significantly expanded critical maintenance program, DLS recommends restricting the Facilities Critical Maintenance appropriation by $1 million and transferring the funds to critical IT projects.

Recommended Actions

1. Add the following language to the general fund appropriation:

    , provided that $1,000,000 of this appropriation made for the purpose of the Statewide Critical Maintenance Program may not be expended for that purpose but instead may only be used to fund information technology projects within the Department of General Services (DGS). Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

    Further provided that authorization of expenditures is contingent on the submission of a report by DGS by August 1, 2013, to the budget committees, outlining how the funds will be used and any associated future costs.

    Explanation: Ongoing critical information technology infrastructure needs are impairing agency operations and creating significant operational risks.

Information Request	**Author**	**Due Date**
Expenditure plan	DGS	August 1, 2013

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
Department of General Services
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2012					
Legislative Appropriation	$53,254	$1,706	$1,052	$30,644	$86,656
Deficiency Appropriation	1,278	0	0	0	1,278
Budget Amendments	595	1,014	0	0	1,609
Reversions and Cancellations	-3	-15	0	-1,713	-1,731
Actual Expenditures	**$55,124**	**$2,706**	**$1,052**	**$28,931**	**$87,812**
Fiscal 2013					
Legislative Appropriation	$54,209	$3,538	$1,114	$29,697	$88,558
Budget Amendments	0	229	2	0	231
Working Appropriation	**$54,209**	**$3,767**	**$1,116**	**$29,697**	**$88,789**

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

The fiscal 2012 budget for DGS closed out $1.2 million higher than the legislative appropriation. Budget amendments added $1.6 million, a deficiency appropriation added $1.3 million, while $1.7 million reverted or cancelled at the end of the year.

General fund expenditures increased by $1.9 million over the original legislative appropriation. A one-time State employee bonus of $750 also increased the DGS general fund appropriation by $425,703, and $169,000 of general funds were added to compensate for funds inadvertently reduced in the Department of Human Resources (DHR) for reimbursable services provided by DGS. The department received a general fund deficiency appropriation of $1,277,616 for electricity expenditures that were above forecast. The majority of the deficiency was allocated for the new Rockville District Court facility, which experienced utility expenditures significantly higher than originally forecasted. However, the deficiency also addressed numerous additional budget shortfalls throughout DGS-operated facilities for utility expenses. At the end of the fiscal year, $2,767 in general funds reverted due to restrictions on telecommunication expenditures.

Special fund expenditures increased by $1 million. Special fund appropriations increased by $559,425 from newly available revenue estimates for transaction fees charged to vendors in the new eMaryland Marketplace program. Special fund appropriations also increased an additional $453,951 based on revenue generated from rebates on a broker’s contract for management of the State’s leased real estate portfolio and by $807 due to the one-time State employee bonus. The department cancelled $14,522 in special funds due to a reduction in revenues available from the Strategic Energy Investment Fund.

Reimbursable funds decreased by $1.7 million due to cancellations associated with lower than anticipated revenue and their associated reimbursable services. The largest reduction, $1,040,744, was a result of the transfer of land acquisition and planning activities to the Department of Natural Resources. A reduction in reimbursable services associated with printing and copying services for other State agencies resulted in a decline of $519,697. A $309,841 cancellation occurred due to a decreased need for construction inspectors based on a reduction in State capital construction programs. Cancellations also occurred due to a reduction in revenues associated with:

- rental of space to State tenants ($175,338);
- records management ($114,595);
- lower than budgeted pass-through revenues for lease expenses in the reimbursable lease program ($7,152); and
- revenues under the old eMaryland Marketplace ($285,894), which were subsequently available under the new eMaryland Marketplace as a special fund budget amendment.

The total amount of cancellations incurred by DGS in reimbursable funds was lower than the amount of these revenue reductions due to increases during the fiscal year in certain reimbursable fund revenues, including increases in reimbursable revenues from lease management consolidation that resulted in the transfer of 5 positions transferred from the Department of Public Safety and Correctional Services, DHR, and the Department of Juvenile Services ($635,069), and fees changed on energy purchases ($203,617) to other State agencies for administering energy purchasing and related projects within DGS.

Fiscal 2013

The fiscal 2013 appropriation was increased by $229,031 in special funds and $1,930 in federal funds for a State employee COLA.

Object/Fund Difference Report
Department of General Services

Object/Fund	FY 12 Actual	FY 13 Working Appropriation	FY 14 Allowance	FY 13 - FY 14 Amount Change	Percent Change
Positions					
01 Regular	574.00	576.00	580.00	4.00	0.7%
02 Contractual	16.89	29.52	32.53	3.01	10.2%
Total Positions	**590.89**	**605.52**	**612.53**	**7.01**	**1.2%**
Objects					
01 Salaries and Wages	$ 39,380,477	$ 40,573,591	$ 42,375,882	$ 1,802,291	4.4%
02 Technical and Spec. Fees	1,314,811	1,070,083	1,211,400	141,317	13.2%
03 Communication	1,080,308	1,088,770	1,034,550	-54,220	-5.0%
04 Travel	34,606	6,537	11,795	5,258	80.4%
06 Fuel and Utilities	15,847,231	16,934,728	16,444,836	-489,892	-2.9%
07 Motor Vehicles	1,116,796	968,910	1,082,092	113,182	11.7%
08 Contractual Services	18,657,016	19,046,659	19,802,561	755,902	4.0%
09 Supplies and Materials	1,361,737	942,115	1,009,416	67,301	7.1%
10 Equipment – Replacement	290,451	12,430	283,000	270,570	2176.7%
11 Equipment – Additional	225,723	0	105,000	105,000	N/A
12 Grants, Subsidies, and Contributions	367,000	300,000	300,000	0	0%
13 Fixed Charges	4,037,108	4,154,007	4,133,468	-20,539	-0.5%
14 Land and Structures	4,099,027	3,691,096	6,881,179	3,190,083	86.4%
Total Objects	**$ 87,812,291**	**$ 88,788,926**	**$ 94,675,179**	**$ 5,886,253**	**6.6%**
Funds					
01 General Fund	$ 55,123,575	$ 54,208,683	$ 61,456,043	$ 7,247,360	13.4%
03 Special Fund	2,706,042	3,767,345	3,418,878	-348,467	-9.2%
05 Federal Fund	1,051,745	1,115,622	1,158,879	43,257	3.9%
09 Reimbursable Fund	28,930,929	29,697,276	28,641,379	-1,055,897	-3.6%
Total Funds	**$ 87,812,291**	**$ 88,788,926**	**$ 94,675,179**	**$ 5,886,253**	**6.6%**

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Appendix 2

Fiscal Summary
Department of General Services

Program/Unit	FY 12 Actual	FY 13 Wrk Approp	FY 14 Allowance	Change	FY 13 - FY 14 % Change
0A Department Of General Services	$ 4,704,527	$ 4,590,619	$ 4,630,313	$ 39,694	0.9%
0B Office of Facilities Security	11,513,459	11,493,905	11,821,608	327,703	2.9%
0C Office of Facilities Operation And Management	51,483,351	52,360,168	52,663,975	303,807	0.6%
0D Office of Services and Logistics	7,745,076	8,842,209	9,784,842	942,633	10.7%
0E Office of Real Estate	2,980,911	2,558,070	2,510,779	-47,291	-1.8%
0G Office of Facilities Planning, Design, and Construction	9,384,967	8,943,955	13,263,662	4,319,707	48.3%
Total Expenditures	**$ 87,812,291**	**$ 88,788,926**	**$ 94,675,179**	**$ 5,886,253**	**6.6%**
General Fund	$ 55,123,575	$ 54,208,683	$ 61,456,043	$ 7,247,360	13.4%
Special Fund	2,706,042	3,767,345	3,418,878	-348,467	-9.2%
Federal Fund	1,051,745	1,115,622	1,158,879	43,257	3.9%
Total Appropriations	**$ 58,881,362**	**$ 59,091,650**	**$ 66,033,800**	**$ 6,942,150**	**11.7%**
Reimbursable Fund	$ 28,930,929	$ 29,697,276	$ 28,641,379	-$ 1,055,897	-3.6%
Total Funds	**$ 87,812,291**	**$ 88,788,926**	**$ 94,675,179**	**$ 5,886,253**	**6.6%**

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.